Annual Rate and Disposal Cost Adjustments

The original “Collection”, “Processing”, and “Disposal” components of rates are identified in Attachment D and each component shall be adjusted according to the following procedures. No Adjustments will be made to any rate component that was proposed as “0” or negative value rate components upon the effective date of the Contract.

1. ANNUAL RATE ADJUSTMENT METHOD AND DISPOSAL COST ADJUSTMENT METHOD

A. ADJUSTMENT FOR COLLECTION COMPONENT OF ANNUAL RATE BASED ON PPI

Perform the following calculations of the most current adjusted Collection component of the rate. The initial adjustment shall be applied to the Collection component of the rate as identified in Attachment D beginning July 2015.

Step One. Calculate the percentage change in the Producer Price Index for Natural Gas (Series ID WPU0531). The first adjustment to be made in July 2015 shall be calculated using the final Natural Gas PPI percentage change from October 2013 to October 2014. The percentage change for the final Natural Gas PPI shall be calculated for a twelve-month period ending on October 31 of every year of the Term, beginning with July 2015.

Step Two. Calculate the fuel costs by subtracting the portion of the Collection component of the rate attributed to fuel by multiplying Collection by 15%.

Step Three. Multiply the fuel cost (15% of Collection) by 1 plus the percentage change in final PPI for Natural Gas. If the PPI percentage change is negative, then 15% of Collection will be adjusted downward; and if the PPI percentage change is positive, then 15% of Collection shall be adjusted upward. The percentage change shall not exceed 25% for a percentage increase, or -25% for a percentage decrease, per annum.

Step Four. Calculate the percentage change in the Producer Price Index for Finished Goods Less Food and Energy (Series ID WPUSOP3500). The first adjustment to be made in July 2015 shall be calculated using the final Finished Goods Less Food and Energy PPI percentage change for a twelve-month period ending on October 31, 2014. The percentage change for the final Finished Goods Less Food and Energy PPI shall be calculated for a twelve-month period ending on October 31 of every year of the Term. The percentage change shall not exceed 4% per annum. In the event the calculated percentage change in the PPI is negative, the rate adjustment shall be zero (0).

Step Five. Multiply the Collection component of the rate by 85% to calculate the Collection fee less fuel costs.

Step Six. Multiply the Collection fee, less fuel costs (85% of Collection) by 1 plus the percentage change in PPI for Finished Goods similar to the calculation shown in Step Four above.

Step Seven. Add the Collection component adjusted for fuel costs (15% of Collection) to the Collection component less fuel costs (85% of Collection) for the total adjusted Collection component of the rate.

Sample Rate Adjustment Calculation for Change in PPI
(All numbers are examples only and are used here for illustration purposes).

Example Assumptions:

Final PPI for Finished Goods (old)	140.00
Final PPI for Finished Goods (new)	144.00
Final PPI for Natural Gas (old)	237.4
Final PPI for Natural Gas (new)	270.7
Current Residential Recycling Cart Collection Rate	$ .91
Current Commingled 3-yd bin Collection Rate	$32.28

Step One. Calculate percentage change in PPI for Natural Gas.

237.4 – 270.7 = (33.3/237.4) 100 = 14%

Step Two. Calculate percentage of Collection attributable to fuel costs (= 15%).

Residential Collection Rate: $.91 X .15 = $.14
3 yd. Bin Collection Rate: $32.28 X .15 = $4.84

Step Three. Apply percentage change of PPI for Natural Gas to fuel costs calculated in Step Two.

Residential Collection Rate: $.14 X 1.14 = $.16
3 yd. Bin Collection Rate: $4.84 X 1.14 = $5.52

Step Four. Calculate percentage change in PPI for Finished Goods.

144 – 140 = (4/140) 100 = 2.8%

Step Five. Calculate Collection less fuel costs (= 85%).

Residential Collection Rate: $.91 X .85 = $.77
3 yd. Bin Collection Rate: $32.28 X .85 = $27.43

Step Six. Apply percentage change of PPI for Finished Goods to Collection fee less fuel costs calculated in Step Five.

Residential Collection Rate: $.77 X 1.028 = $.79
3 yd. Bin Collection Rate: $27.43 X 1.028 = $28.21

Step Seven. Add the rates calculated in step three and step six to calculate the total adjusted Collection rate.

New Residential Collection Rate: $.16 + $.79 = $.95
New 3 yd. Bin Collection Rate: $5.52 + $28.21 = $33.73

B. ADJUSTMENT FOR PROCESSING COMPONENT OF ANNUAL RATE BASED ON PPI

Perform the following calculations of the most current adjusted Processing component of the rate. The initial adjustment shall be applied to the Processing component of the rate as identified in Attachment D beginning July 2015.

Step One. Calculate the percentage change in the final Producer Price Index for Finished Good Less Food and Energy (Series ID WPUSOP3500). The change in the PPI shall be for the twelve-month period ending on October 31 and the percentage change shall not exceed 4% per annum.

Step Two. Multiply the Processing component of the rate by 1 plus the percentage change in the final PPI.

Step Three. In the event the calculated percentage change in the PPI is negative, the rate adjustment shall be zero (0).

Sample Rate Adjustment Calculation for Change in PPI
(All numbers are examples only and are used here for illustration purposes).

Example Assumptions:

Final PPI (old)	140.00
Final PPI (new)	144.00
Current Residential Recycling Cart Processing Rate	$ 2.48
Current Commingled 3 yd bin Processing Rate	$18.16

Step One. Calculate percentage change in PPI.

144-140 = (4/140) 100 = 2.8%

Step Two. Apply percent change to Processing component of rate.

Residential Processing Rate: $2.48 X 1.028 = $2.55

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3 yd. Bin Processing Rate: $18.16 X 1.028 = $18.67

C. ADJUSTMENT FOR CHANGE IN DISPOSAL CHARGE (TIP FEES) APPLIES ONLY WHEN TIPPING FEE ACTUALLY CHANGES (INCREASES OR DECREASES))

Step One. Calculate the percentage change in the Disposal Charge per ton, based upon the change between the most recent tipping fee on which rates are based, and the new tipping fee.

Step Two. Apply the resulting percentage change to the most current Disposal component of rate by multiplying the Disposal component by 1 plus the percentage change. If the percentage change is negative, then the Disposal Charge will be adjusted downward; and if the percentage change is positive, then Disposal Charge shall be adjusted upward.

Sample Rate Adjustment Calculation for Change in Disposal Charge
(All numbers are examples only and are used here for illustration purposes)

Example Assumptions:	
Disposal Tip Fee (old)	$30.00/ton
Disposal Tip Fee (new)	$35.00/ton
Current Disposal Charge Component of Residential MSW Cart rate	$ 0.11
Current Disposal Charge Component of 3 yd bin rate	$1.01

Step One. Calculate percentage change in Tip Fee.

$35.00 - $30.00 = ($5/$30.00) 100 = 16.6%

Step Two. Apply percent change to Disposal Charge component of existing rates.

Residential Disposal rate: $.11 x 1.166 = $.13
3 yd bin Disposal rate: $1.01 x 1.166 = $1.18

D. CALCULATE TOTAL ANNUAL RATE

Step One. Add the Collection Component of the Rate (as adjusted in A. above), the Processing Component of the Rate (as adjusted in B. above), and the Disposal Component of Rate (as adjusted in C. above) to calculate total rate for service. (Note: the Disposal

Component of Rate will not be adjusted up or down if the tipping fee has not changed).

Example:

Adjusted Residential Rate:	$.94 + $2.55 + $.13 = $3.62
Adjusted 3 yd. Bin Rate:	$33.37 + $18.67 + $1.18 = $53.22

E. ROUNDING PROTOCOL

1. Calculations will be rounded to one decimal place (Example: 2.3 or 0.2)

2. The numbers 1, 2, 3 and 4 in the calculation will be rounded down.
   (Example: If the result of the calculation were 7.3442, the final figure would be 7.3.)

3. The numbers 5, 6, 7, 8 and 9 in the calculation will be rounded up.
   (Example: If the result of the calculation were 4.278, the final figure would be 4.3.)